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CIA AGENTS ADMIT WORKING WITH REWALD
HONOLULU

THE CENTRAL INTELLIGENCE AGENCY GAVE A SECURITY CLEARANCE TO AN INVESTMENT COUNSELOR NOW ON TRIAL ON CHARGES OF BILKING \$22 MILLION FROM HIS CUSTOMERS AND USED HIS OFFICE AS A FRONT, FORMER AGENCY OFFICIALS ADMIT.

EUGENE WELCH, CHIEF OF THE CIA STATION IN HONOLULU FROM 1976 TO 1978, AND HIS SUCCESSOR, JACK KINDSCHI, TESTIFIED THURSDAY THAT THE CIA CLEARED RONALD REWALD TO RECEIVE "CONFIDENTIAL" BUT NOT "SECRET" INFORMATION.

KINDSCHI SAID THE AGENCY INSTALLED A TELEPHONE AND TELEX IN REWALD'S OFFICES TO GIVE THE IMPRESSION THAT AGENTS OVERSEAS WERE WORKING FOR A PRIVATE COMPANY IN HONOLULU.

REWALD, 41, IS ON TRIAL ON 98 COUNTS OF FRAUD, TAX EVASION AND PERJURY IN THE 1983 COLLAPSE OF HIS INVESTMENT FIRM, BISHOP, BALDWIN, REWALD, DILLINGHAM AND WONG. ABOUT 400 INVESTORS LOST \$22 MILLION IN THE COMPANY'S FAILURE.

REWALD CLAIMS WELCH DIRECTED HIM TO SET UP THE INVESTMENT COMPANY AS A CIA COVER.

WELCH, A PROSECUTION WITNESS IN THE U.S. DISTRICT COURT JURY TRIAL, DENIED GIVING REWALD SUCH AN ORDER. HE SAID REWALD CAME TO THE AGENCY IN 1978 AND OFFERED TO COLLECT INFORMATION WHILE TRAVELING IN ASIA.

WELCH SAID HE THOUGHT THE CIA MIGHT USE REWALD AS A SOURCE OF INFORMATION ON ECONOMIC ISSUES IN THE FAR EAST BECAUSE OF HIS SUPPOSED EXPERTISE.

WELCH ADMITTED A CIA CLEARANCE CHECK ON REWALD FAILED TO TURN UP A WISCONSIN THEFT CONVICTION. IT ALSO FAILED TO SHOW THAT HIS CLAIMS TO HOLD DEGREES FROM MARQUETTE UNIVERSITY AND MASSACHUSETTS INSTITUTE OF TECHNOLOGY WERE FALSE.

THE FORMER CIA OFFICIAL SAID A FORM HE FILLED OUT AFTER HIS 1978 MEETING WITH REWALD NOTED THAT REWALD HAD PROMISE BUT WAS SO ENTHUSIASTIC "THAT HE MAY HAVE TO BE CAUTIONED NOT TO LET THAT ENTHUSIASM CLOUD HIS JUDGMENT ABOUT WHAT HIS REAL CAPABILITIES ARE."

KINDSCHI DESCRIBED REWALD AS "AN EAGER BEAVER" ANXIOUS TO DO MORE FOR THE AGENCY.

HE SAID HE SUGGESTED THE AGENCY USE REWALD'S FIRM WHEN HE WAS ASKED TO RECOMMEND A PLACE TO PUT A PHONE AND TELEX MACHINE IN ORDER TO GIVE THE IMPRESSION THAT AGENTS ABROAD WERE WORKING FOR A COMPANY IN HONOLULU.

KINDSCHI SAID REWALD LEFT THE COMMUNICATIONS EQUIPMENT IN HIS OFFICE LONG AFTER THE CIA STOPPED USING IT.